SUPREME COURT, U. S.
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Supreme Court of the United States

October Term, 1974
No. 74-207

AKRON PRESFORM MOLD COMPANY,
Petitioner,

vs.

McNEIL CORPORATION, *et al.*,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

BRIEF OF RESPONDENT SUN CORPORATION IN OPPOSITION

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STATEMENT OF THE CASE

The factual setting for these three consolidated cases is presented by the Sixth Circuit under the heading "Historical Background" (Petitioner's Appendix A7-9) far more accurately than that set forth by the Petitioner's Statement. In particular, the Petitioner's statement is misleading with respect to the reversal by the Second Circuit in the case of *Barr Rubber Prods. Co. v. Sun Rubber Co.*, 425 F.2d 1114 (2d Cir.), *cert. denied*, 400 U.S. 878 (1970) and the reasons for that reversal. The Sixth Circuit stated (Petitioner's Appendix A8):

> "The Court of Appeals for the Second Circuit later reversed the findings of the New York District Court relating to 'fraud' and 'perjury' as clearly erroneous and reversed the holding of invalidity of the Molitor patent. The case was remanded to the District Court for new trial solely on the issue of patentability."

The statement of the Sixth Circuit continues by pointing out that the present consolidated actions were brought after the New York District Court's decision but prior to the reversal by the Second Circuit of the findings of fraud and perjury.

ANALYSIS OF PETITIONER'S "QUESTIONS PRESENTED"

Most, if not all, of Petitioner's "Questions Presented" are questions which were either not decided by the court below, primarily because there was no factual basis in these cases for deciding them, or are of such an insignificant nature that they do not merit consideration by this Court, there being no conflicting decisions of the circuit courts nor any clarification of a decision of this Court necessary, and because only the litigants herein could be affected by the answers thereto.

The following will demonstrate the inadequacy of these questions with respect to certiorari.

Question 1:

The first part of this question reads as follows:

> 1. Where conspirators work active frauds on the Courts to secure and maintain an adjudication of contributory infringement of a patent in order to monopolize the substantial relevant markets to which the

> patent pertains and thereafter further conspire to reinforce that objective, does the thereby falsely adjudicated contributory infringer, enjoined for the balance of the life of the patent, have a cause of action for violation of the anti-trust laws of the United States?

This is really a question relating to whether Petitioner stated a cause of action in its three Complaints—a question admitted for the purposes of the Motions to Dismiss brought by Respondents and granted by the courts below. The answer to this part of Question 1 is clearly Yes, if timely brought.

However, part (a) of question 1 makes the further inquiry:

> "does not the cause of action of the fraudulently adjudicated contributory infringer continue to accrue until the injunction expires upon expiration of the patent?"

Insofar as the accrual of a cause of action is important to the commencing of the applicable statute of limitations, all existing authority, based on decisions of this Court and the various circuit courts, are in agreement that the answer to this question is No. As the Sixth Circuit stated in the decision below:

> "This statute of limitations commences to run from the commission of the last overt act causing injury or damage. *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 401 U.S. 321, 338 (1971); *Garelick v. Goerlich's, Inc.*, 323 F.2d 854, 855 (6th Cir. 1963)." (Petitioner's Appendix A11)

Certainly, there is no reason for this Court to grant certiorari to expound again upon this universally established doctrine.

Question 2:

In the proceedings at the District Court, Respondents established by affidavit and other evidence that each act complained of in the three separate complaints occurred more than four years before the complaints were filed. Petitioner presented no facts or dates other than those alleged in the complaints and the actions were accordingly, and properly, dismissed. Somehow, Petitioner now raises, as a question presented, the following:

> 2. Where the defense of the statute of limitations is asserted in a motion to dismiss brought by a defendant in a private Federal anti-trust suit, is the burden of proof on the moving defendant to prove that the statutory time (four years) has elapsed after the cause of action accrued or is the burden of the plaintiff to prove he brought the action in sufficient time after it accrued?

If this were a question at all, it would more properly be phrased as follows: Once a defendant has established by uncontroverted evidence that all overt acts forming the bases for alleged conspiracies occurred more than four years prior to the commencement of the litigations, can a plaintiff sit back and not demonstrate that some overt act causing damage occurred during the four year period? The answer to this question is clearly No.

Question 3:

Petitioner's third question is not related to any fact in any of the three consolidated litigations. It reads:

> 3. What standard of diligence, if any, obligates an accused contributory infringer to discover a pending U. S. patent application filed and then abandoned

by his accuser if his accuser does not disclose voluntarily the existence of such patent application that would absolve the accused contributory infringer?

Petitioner's three complaints, which form the only factual bases for its arguments, do not mention "a pending U. S. patent application filed and then abandoned" and, therefore, this question is purely hypothetical, assuming facts not of record, was not an issue at the District Court or Court of Appeals and is not an issue for this Court.

Question 4:

Petitioner's fourth question is likewise not related to the decision of the court below. It reads:

4. Where a motion to dismiss, on the ground that a statute of limitations has run, has been filed, may Courts extrapolate from undenied pleadings and resolve inferences in favor of the movant?

Whether or not it is proper to resolve inferences one way or another, the decision of the court below was not based on any inferences from the record but rather on the fact that no genuine issues of material fact existed so as to render summary judgment improper.

Question 5:

Petitioner's final question relates to the issue of collateral estoppel under which Respondent Sun prevailed in one of the three litigations (Civil Action C68-488; Appeal No. 73-1556). The question posed by Petitioner reads:

5. Is a private claimant for damages under the Federal anti-trust laws collaterally estopped from asserting damages to himself arising from acts which were held in other litigation brought by an unrelated

claimant to be insufficient support for the claims of such unrelated claimant?

As such, it appears to present an interesting question—but one not related to the facts of this case. The question posed presupposes that the court below based its collateral estoppel decision on a previous litigation "brought by an unrelated claimant." But the Sixth Circuit based its decision upon the previous litigation of *National Latex Prods. Co., et al. v. Sun Rubber Co.*, 274 F.2d 224 (6th Cir. 1959), in which the Petitioner was clearly named as a party-appellant (Petitioner's Appendix A15-16).

ARGUMENT AGAINST PETITIONER'S REASONS FOR GRANTING THE WRIT

While it is not always totally apparent, there appears to be some degree of correlation between Petitioner's five "questions presented" and the five "reasons for granting the writ." But, because these "reasons" expand upon and often depart from the "questions presented," comment upon each by Respondent Sun appears warranted.

1. There Is No Conflict Between the Decision Below and This Court's Decision in Walker.

In attempting to avoid the effect of the statute of limitations, the Petitioner urged to the court below that the decision of *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 401 U.S. 321 (1971), should control because, even though all overt acts causing damages were admitted by Petitioner to occur more than four years prior to the filing of the complaints (Petitioner's Appendix A12), the

damages resulting from the overt acts were speculative. But Petitioner was unable to show that any damages were speculative and it has therefore argued, unsuccessfully, that its causes of action were speculative because they were not viable until this Court's decision in *Walker Process Equip., Inc. v. Food Machinery & Chem. Corp.*, 382 U.S. 172 (1965).

Petitioner now argues that this Court should grant certiorari to clarify when a cause of action brought under *Walker* accrues. But no such clarification is necessary since it is already clear from *Zenith* and its line of cases that the conspiracy cause of action accrues from the time of the last overt act causing damage. It is apparent that no question suitable for a decision by this Court exists.

Even if this Court felt that the question posed by Petitioner were suitable for its consideration, the decision of the Court of Appeals is correct. It is evident that the Court of Appeals clearly saw through Petitioner's arguments when it held (Petitioner's Appendix A13) that conspiracy causes of action, such as alleged in all these cases herein, existed long before the *Walker* decision and therefore with respect to conspiracies *Walker* did not render actionable that which previously was not. Rather, *Walker* merely announced what the law had always been with respect to fraudulently obtained or maintained patents, whether a conspiracy or not. Petitioner argues that the court below held that *Walker* does not reach conspiracies. Such is not the case. As quoted by the Petitioner, the Court did say that "*Walker* says nothing about conspiracy claims" (Petitioner's Appendix A13) but the Court was talking about conspiracy charges other than alleged conspiracies to maintain a patent obtained by fraud. Thus, Petitioner attempts to use *Walker* as an excuse for not

earlier bringing its causes of action yet other parties, namely, *Barr Rubber Products Co.* (represented by the same counsel as Petitioner), brought substantially the same conspiracy charges against Respondent Sun long before the *Walker* decision.

Throughout its argument, in this section of its brief and others, Petitioner mentions an abandoned U. S. patent application (the existence of which was not a fact of record herein) as showing Respondent's knowledge of a substantial non-infringing use of the Molitor patent (see Petitioner's Brief, p. 11). The fact of such a use was allegedly hidden from Petitioner to obtain the injunction which allegedly closed Presform's doors and was said to be the very foundation of the conspiracy causes of action. Yet the record is clear that counsel for Petitioner had knowledge of such non-infringing use prior to the issuance of the injunction. See Appendix at the end of this brief, p. 18, par. 5.

Respondents have shown to the District Court and the Court of Appeals that the major act complained of by Petitioner, the injunction against Presform in the *National Latex* litigation, occurred in 1960 and that this was the last overt act complained of in at least one of the three complaints. Petitioner argues that since the injunction did not end until 1970, it was a continuing act and *Zenith* held that the limitations under the statute "do not commence to run until the *end* of the last harmful act" (Petitioner's Brief, pp. 11-12, emphasis added). It is evident, however, that such was not the holding of *Zenith* nor did the Court of Appeals so construe it. Rather, the Court of Appeals properly cited *Zenith* for the rule that the "statute of limitations commences to run from the *commission* [not the end] of the last overt act causing injury or damage" (Petitioner's Appendix A11, emphasis

added), and also recognized the exception to that rule, carved out by *Zenith*, where the damages flowing from that last overt act are speculative.

In addition, if Petitioner is attempting to argue that the injunction represented a continuing conspiracy, the cases are clear and without conflict on the point that "in a continuing conspiracy causing continuing damage without further overt acts, the statute of limitations runs . . . from the time the blow which caused the damage was struck." *Steiner v. Twentieth Century-Fox Film Corp.*, 232 F.2d 190 (9th Cir. 1956).

In short, Petitioner has shown no error by the Court of Appeals with respect to the interpretation of *Walker* or *Zenith*. *Zenith* applies to speculative damages not speculative causes of action, and in any event it is clear that Petitioner's conspiracy causes of action were not first rendered actionable by *Walker*.

2. The Court of Appeals Followed Its Decisions and Those in Other Circuits in Properly Ruling on the Burden of Proof in Motions for Summary Dismissal.

In this section of its brief, particularly at the top of page 13 thereof, Petitioner again demonstrates that its causes of action were based on overt acts occurring more than four years prior to the filing of the complaints. As such, Petitioner's only recourse or "out" was to avail itself of the *Zenith* rule or fraudulent concealment rule. Based on the only facts of record offered by Petitioner, that is, the allegations found in its three complaints, the court below affirmed the District Court's finding that Petitioner's complaints did not show that these cases fell within the *Zenith* or fraudulent concealment doctrines. Petitioner complains that it did not obtain the benefit of all favorable

inferences but does not point to a single inference improperly drawn by the courts below.

At page 14 of its brief Petitioner states: "No current authority has been found which . . . shifts to the party opposing the motion the burden of proving the negative of the claimed defense." Such a statement readily demonstrates the futility of Petitioner's position. Respondents each demonstrated by affidavit and other exhibits prima facie evidence of the applicability of the statute of limitations defense. If for some reason (such as *Zenith* or fraudulent concealment) that defense should not apply, it is up to Petitioner (not Respondents) to bring forth the facts which would demonstrate that the defense raised by Respondents is inapplicable. Petitioner was unable or failed to do so and now blames the court below for its inability or failure.

Petitioner argues that the Court of Appeals failed to follow its own decision in *McHenry v. Ford Motor Co.*, 269 F.2d 18 (6th Cir. 1959). But the court properly relied on *McHenry* to affirm the District Court:

> "Following the mandate of *McHenry*, we, therefore, conclude that the District Court properly disposed of these cases by means of summary judgment for the appellees." (Petitioner's Appendix A17)

Such clear following of established precedent does not present a question for decision by this Court.

3. The Court Below Did Not Hold That Plaintiff Is Barred by the Statute of Limitations for Failure to Locate Statutorily Privileged Documents.

Petitioner, in this section, relies on "one document," a Sun abandoned U. S. patent application, which allegedly

shows that Respondent Sun knew of a non-infringing use which allegedly, but not actually, would have absolved Petitioner of its infringement. Respondent Sun needs to go no further than to state, as stated hereinabove, that this document was not of record before either of the courts below, that is, it was not referred to in the complaints nor offered in rebuttal to Respondents' motions for dismissal. How then could the court below have made the allegedly erroneous holding regarding this document which was never before it?

Be that as it may, Petitioner now uses this document, a document hypothetical at best to these litigations, as evidence that Respondent Sun knew what Petitioner did not, that is, of the existence of a non-infringing use. But the only facts of record show that Petitioner itself did know of the non-infringing use when the injunction issued. See Appendix at the end of this brief, p. 18. And even if it hadn't known of that fact, the court below properly held that mere ignorance of one's rights will not toll the statute of limitations under the fraudulent concealment rule. *Crummer Co. v. Dupont*, 255 F.2d 425, 432 (5th Cir.), *cert. denied*, 358 U.S. 884 (1958). Petitioner, in the allegations of its complaints, the only allegations of record taken as facts for purposes of the motions below, did not demonstrate anything more than mere ignorance of its rights and, in the particular instance complained of in this section of its brief, the facts demonstrate that it was not even ignorant.

This Court should not be called upon to render a decision on a hypothetical issue based on hypothetical facts not of record in the courts below.

4. Amplification of Poller Is Not Necessary and Would Be Irrelevant to the Decision Below.

After asking this Court to speculate as to a document not in evidence, Petitioner accuses the courts below, particularly the District Court, of having speculated as to facts not of record. However, the court made no such speculation. The complaint was silent as to ascribing any time for Petitioner's cessation of business and Petitioner did not offer any fact showing that it was in business after July 3, 1964. Therefore, the District Court was unable to place a time on that event but, contrary to the argument of Petitioner, did not speculate or conclude that the event occurred before July 3, 1964. Rather, the District Court assumed that even if Petitioner went out of business after that date, granting of the motions to dismiss would not be precluded (Petitioner's Appendix A29).

Thus, Petitioner has not shown the existence of any speculation by the courts below and in the instance of alleged speculation complained of, the decision of the District Court makes it clear that even if Presform went out of business in 1965, that fact would not be dispositive of the issue. Certainly, this Court should not grant certiorari to review an issue which not only does not exist but which also would not be dispositive of the case in any event.

5. The Sixth Circuit Correctly Applied the Doctrine of Collateral Estoppel With No Restatment by the Supreme Court Being Required.

As an alternate ground for dismissing the complaint in one of the three actions, Civil Action C68-488, Appeal No. 73-1556, the Court of Appeals affirmed the District Court's finding that Petitioner's claim was barred, as to Respondent Sun, by the doctrine of collateral estoppel

with respect to the earlier *National Latex* decision to which Presform and Sun were parties. As to the other cases and the other Respondents, the motions to dismiss based on res judicata or collateral estoppel were denied, primarily as insufficiently briefed, without prejudice to their renewal (Petitioner's Appendix A24-25, A31 and A36-37).

Despite the Sixth Circuit's clear holding (Petitioner's Appendix A15) that the matters which Petitioner would now seek to litigate have been or could have been litigated previously in the *National Latex* litigation between Presform and Sun, Petitioner continues to misunderstand or misinterpret the holding and attempts to assert that the collateral estoppel holding is based on the *Barr v. Sun* New York litigation. In this regard, see Petitioner's question 5 of the issues presented and the commentary on that question herein. Presform also indicates that the Sixth Circuit had previously forewarned that it would strike down its complaints based on the *Barr v. Sun* litigation when Presform sought to reopen the *National Latex* suit. But one searches in vain in the Sixth Circuit's decision to deny reopening (Petitioner's Appendix A41-45) to find any such statement by the Court.

In criticizing the holding of the court below that because the Second Circuit reversed its District Court's finding of fraud and perjury, Presform cannot claim it did not sleep on its rights because such irregularities came to light in the District Court action in New York, Petitioner refers to the Second Circuit's dissatisfaction with the quantum of proof applied by the District Court to sustain a charge of perjury.

The utter futility of this criticism is apparent from that part of the Second Circuit decision immediately following that reproduced ending at the top of A48 of Peti-

tioner's Appendix wherein the Second Circuit held at page 1121 that the evidence did not support the perjury charge regardless of the standard of proof applied by the District Court, as follows:

> "[6] Furthermore, irrespective of the failure of the court below to apply the proper standard of proof, we hold that the evidence did not suffice to prove the commission of perjury even if the 'preponderance of the evidence' standard is applied as the test."

Petitioner further misconstrues the doctrine of collateral estoppel by continuing to argue allegations of fact (see page 19 of its brief, for example) which it would like to raise. However, as correctly held by the court below, these facts, be they new or old, go to issues which were litigated many years ago (Petitioner's Appendix A16). Petitioner feels that, because it (through lack of diligence) did not present all the facts which were pertinent to the issues raised in *National Latex* and again in the present cases, it should be able to relitigate the same issues now. The courts below properly refused to permit such repetitive and burednsome litigation and Petitioner has failed to point out where there is a necessity for this Court to review a decision properly founded on the doctrine of collateral estoppel, particularly where this Court's review of that issue alone would not be dispositive of all the litigations for all the parties.

CONCLUSION

Petitioner's issues and arguments are of little significance to parties other than the present litigants. The questions raised are either hypothetical, non-existent, or based on misunderstanding of the Sixth Circuit's decision. Further, the decision below is not in conflict with any decision of this Court nor of any other circuit court. The decision by the court below is well founded in all respects and should be left unaltered to end, once and for all, a series of litigations which have burdened the courts for many years.

Respectfully submitted,

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APPENDIX

Exhibit 17 in the Exhibits of Appendix Filed in the Sixth Circuit Court of Appeals

OLDHAM & OLDHAM
825 First National Tower
Akron 8, Ohio

June 29, 1960

E. R. Hamilton, Esq.
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Akron 8, Ohio

Dear Mr. Hamilton:

In furtherance to our verbal discussions looking towards settlement, we know that both Sun Rubber and Akron Presform will encounter extensive time, uncertainties, delay and expense in a hard fought accounting. From what we can find in the established authorities there appears to be little or no law on many of the problems that will be encountered in any thoroughgoing accounting with our set of facts. We as attorneys probably owe a duty to our clients to settle what could be a very vexatious accounting.

A few of the difficult facts, and some of the established law include the following:

1. There has been no infringement of Martin and Rekettye. The Miller machine is free and clear. How far can any court or master go, damage-wise, in holding the sale of these free machines to be damaging to plaintiff?

2. Did plaintiff itself have machines available for sale which it could not sell because of the sale of the Miller machines? Did other companies have machines available for sale?

3. Did the sale of the Miller machines actually damage Sun Rubber or did it help Sun Rubber in getting its process performed efficiently? Can Sun Rubber prove the difficult matter of damages?

4. It is well settled that there can be contributory infringement only if there is direct infringement. The only direct infringement proven is that of the Miller machines used at National Latex. Does Sun Rubber have to prove direct infringement by purchasers of Miller machines? How can this be done without the customers having to be sued and having their day in court?

5. A number of the Miller machines were sold out of the United States, *others for use with non-infringing materials*. The use of a machine may change from day to day, and Akron Presform has no control over such use. (Emphasis supplied.)

Summarizing, it would appear that both parties might well benefit from an exploration of settlement in an effort to dispose of the matter on a reasonable basis based on a percentage of the price of the machines. Do you want to talk further on this basis? If so, might I suggest the matter might well be expedited if from the beginning the principals of the parties were brought into conference along with their lawyers.

Very truly yours,

OLDHAM & OLDHAM

By /s/ A. H. OLDHAM